

# Walking the line online

An innovative new option for sourcing your tobacco requirements, the Uncommitted Tobacco Auctions company is building on the success of its first auction late last year, with the development of a permanent online catalogue



In an era when much of the world's tobacco is bought direct from growers or growers' representatives rather than on an auction floor one could be forgiven for wondering why launch an auction service? Of course, the answer lies in the title of the auction site: *Uncommitted Tobacco Auctions*. Thus, the online service UTA provides is not in competition with the auctions in the few remaining countries where this buying platform remains. Simply, the site gives sellers the opportunity to offer their tobacco stocks for sale to the highest bidder, and offers buyers the opportunity to purchase tobacco discreetly (their identity is not normally disclosed), and perhaps to fill unexpected gaps in their supply needs quickly.

Obvious questions such as how to assess the quality of the tobacco on offer have been addressed through innovative use of internet technology combined with traditional methods. Thus, a buyer wishing to assess a tobacco lot, in addition to viewing the online description, can view a photograph of the tobacco on offer, and can also request a sample be sent to them direct. Also, on certain pre-arranged dates, buyers can view the lots on offer in the warehouse of UTA's partner in this venture: Tabaknatie in Antwerp.

Asked where the concept originated, UTA Director Rainer Busch commented: "The idea came from myself, who worked in a multinational sales environment with P&L responsibility and the trigger was the awareness of the complexity of considerations related to a sale of tobaccos below traditional market value."

Last summer saw the launch of UTA, buyers and sellers approached to participate, and service providers sourced: Tabaknatie for logistics and sample viewing; FTC Trustoffice for administration; and Newco for sales promotion. The website was officially launched in October, and December 2006 saw UTA's first auction achieve a success with 6,300,000kgs of tobacco from seven countries and three continents comprising both FCV and Burley varieties sold. Based in Holland, the UTA auction system was initially focussed on holding an auction three or four times per year at the premises of Tabakantie.

selling tobacco stock held in Antwerp. However, following the success and positive feedback of the initial auction, UTA Director Marc Verhaeghen relates that the company is developing a "world wide online platform for selling and buying uncommitted tobaccos".

Building on experience and feedback from the industry following the inaugural auction, this new platform now comprises three pillars:

- The permanent on-line catalogue;
- Periodic on-line auctions; and
- Complementary services for the leaf supply chain.

UTA's initial focus will now be on the launch of the permanent on-line catalogue relates Mr Verhaeghen. Sellers get an additional opportunity to reach traditional and non-traditional buyers for their uncommitted stocks and sell online without being disclosed, while offering an increased range of varieties for sale.

Rainer Busch explains that the catalogue will complement the auctions: "Since buyers might have requirements for tobaccos outside the period of the set auction schedules and sellers, who have not confirmed their availabilities for the next auction, do not have to wait for the next auction."

Buyers are put in a perfect position to match their needs against a large portion of worldwide stocks. They can find and track auction lots online through a set of key selection criteria like nicotine, origin and price range. They also get a first photograph impression on their PC screen. They view and evaluate the samples they want in Antwerp in a

## Periodic Auctions

The automated online auction provides an alternative opportunity to match supply and demand and reach agreement on price in a competitive setting of many buyers and sellers.

A seller, at his own discretion, puts new lots as well as lots that are already on the online catalogue up for auction. In doing so the seller grants an option to UTA for the duration of the auction.

The highest bidder at the end of an auction session becomes the owner. UTA reports the hammer price and quantity to both parties immediately after the auction and confirms the deal by email. The buyer has two days to report back an (unlikely) obvious mistake and possibly ask for annulment.

single day at a mass viewing or at a private show. They can even get samples and/or cut rag delivered to their home. The next mass viewing of samples will be organised at Tabaknatie between April and June 2007. While the next auction will be held towards the end of May, beginning of June.

The Sellers will keep the online catalogue up-to-date. Any time they can add and remove stock and change their price indication. Moreover, the UTA requirements have been modified to reduce the amount of samples required to be sent.

All common varieties and packing forms are now allowed: Flue-Cured Virginia, Burley, Oriental, Dark Air-cured, Fire-Cured, Stems, Scrap Fines and Others.

Sellers will only have to send one duplicate sample per auction lot to Tabaknatie, which is used one for viewing and for possible later reference one for arbitration, a drastic saving against the two samples per container previously required. This greatly reduces the work to cut samples and the delivery costs.

They will also send a sample when a Buyer asks for it; UTA will then forward the sample on at the expense of the buyer.

A deal gets closed via UTA. A Buyer can pass on his bids to UTA any time. Sellers will need to respond within two weeks. When a deal gets closed, UTA initiates execution in line with its standard terms of payment and delivery.

UTA is introducing the UTA membership concept for sellers and buyers alike. Both groups now need to apply for membership first by entering a Member Application Request and having their credentials checked by UTA. When accepted and after payment of the annual membership fee, you are registered as a UTA Member and gain on-line access to the platform for a whole year.

The membership cost covers the cost UTA is charged for the administration provided by FTC Trustoffice. For the annual membership fee of €2,500 members receive:


- Permanent access to an unlimited inventory of common tobacco varieties, 100% under the control of the sellers
- Permanent access to the entire online catalogue, containing a detailed description of the tobaccos and a photograph
- Ongoing ability to conclude contracts anonymously via UTA
- Participation and ability to buy and sell via periodic online auctions
- Free periodic mass viewing of samples of all Lots on offer
- Private viewing of samples or obtaining them at home "on demand" (payable services)
- Undisclosed trade from start to finish
- Reporting of results following auctions.

Following the experience of the initial auction last December, UTA has made the fee structure more attractive for sellers: they no longer pay in advance on the basis of the total kilos offered, but only pay on the basis of kilos sold. The Seller Participation fee is €0.01 per kilo sold.

Looking to the future Mr Busch comments: "We will for sure expect some more adjustments later, since we like to be responsive to the comments our members are making and the members should feel like being a part of UTA.

"Due to the permanent global promotion mostly carried out by me, the UTA team is also developing its understanding of the needs of the tobacco trade and we would not be innovative, if we sit firm on our terms and are not

willing to improve. This is a complete new opportunity to the tobacco trade and the purpose is to assist and service as best as possible each side of the trade.

"We have generally had a very positive response from the trade and so far nobody has closed the door to UTA, but we also see that the tobacco business is very traditional and the Internet was not part so far of this trade. We would hope that more companies will understand how easy it is to enter into the online tobacco supermarket and to buy something." 

### The UTA On-line Catalogue

The permanent online catalogue is accessible via the Internet to all members via login codes, all the time.

#### The Seller...

*Offers his inventory of uncommitted tobacco via on-line offer forms, showing:*

- Detailed description of each lot
- Grouping of containers in catalogue items
- Option expiration date when applicable
- Price indication for buyers (ex-warehouse Antwerp). *This price indication is not necessarily the seller's asking price. The price indication is used in the catalogue search tool to select Lots within a given set of price ranges.*

*Manages his offer through:*

- Adapting his price indication in line with the market
- Adding new lots and volume any time
- Withdrawing lots and volume any time
- Offering lots from the catalogue at the periodic online auctions.

*Delivers samples (at his expense) in different ways for different purposes:*

- Always two samples are sent to Tabaknatie, one for viewing, one for later use
- On request from a buyer, sends samples/cut rag to Tabaknatie.

*Responds to bids that he gets from buyers via UTA.*

#### The Buyer...

*Selects the lots from the online catalogue that match his needs via:*

- A selection tool that allows selecting lots on: lot number, variety, price range, nicotine content and other quality criteria.
- For each lot the buyer can evaluate the quality he needs against the summary and detailed description of the lot and look at a sharp photograph of the sample.

*Views and evaluates samples:*

- At mass viewings in Antwerp for free, a few times a year. (UTA also investigates extra viewing facilities at other main ports).
- At a private viewing show for his selected lots, on request (UTA tariff).
- At home by asking for shipment of a sample/cut rag (UTA tariff).

*Make bids any time as follows:*

- Passes on his bid-list to UTA (administration@uta-web.com). This bid-list contains the lots that match his needs and for each lot how much he is prepared to pay (ex-warehouse Antwerp) and what quantity.
- A buyer's bid is valid for five days.
- UTA passes on bids to the sellers.
- The seller needs to pass on his "agreement" or his "counter offer" to UTA within five days, so before the buyer's bids expires.
- UTA forwards the seller's response to the buyer who can accept the counter offer or make a last bid.
- The outcome is a purchase price and quantity or a rejected final bid.

#### UTA...

*Initiates the execution of the deal as follows:*

- UTA informs both parties via an email about the specific terms of the deal (agreed price, quantity).
- UTA initiates the execution of the deal, for instance by informing Tabaknatie to start the coordination of the transport.
- UTA charges its commission to the buyer and participation fee to seller.